

Rating Rationale

Brickwork Ratings reaffirms ‘BWR BBB-’ for the Term Loans & Fund Based Working Capital limits and ‘BWR A3’ for Non-Fund Based limits of AMD Industries Ltd aggregating ₹ 105.22 Cr

Brickwork Ratings (BWR) has reaffirmed the **Ratings¹** of ‘BWR BBB-’ (BWR Triple B Minus) with a **Stable Outlook** for the long term Bank Credit Facilities of Rs. 70.22 Cr (enhancement from Rs. 58.68 Cr) and ‘BWR A3’ (BWR A Three) for the Short Term Bank Credit Facilities of Rs.35.00 Cr (reduction from Rs. 40.00 Cr) for AMD Industries Limited (“AMDIL” or “the Company”).

The rating has, inter alia, factored the experience and capabilities of the Company in providing packaging for the carbonated soft drink business, established relationship with large global customers and ability to compete with global suppliers. The rating is constrained by capital intensive business, seasonality involved in the operations, entry into real estate segment, intergroup transactions and large exposure to the subsidiary company engaged in the real estate business.

BWR has essentially relied upon the audited financial results of AMD Industries Ltd up to FY13, provisional results for HY 2014 and clarifications provided by the Company.

Background

AMD Industries Ltd was incorporated in the year 1983. The Company has been engaged in the business of packaging for carbonated soft drinks since its inception. The promoters include Shri. Harswaroop Gupta, Shri. Ashok Gupta and Shri. Adit Gupta. The Company has three product lines which include Crown Caps (Metallic closures for glass bottles), PET Preforms and Plastic Closures. The Company has two manufacturing facilities based in Ghaziabad (Uttar Pradesh) and Neemrana (Rajasthan). It has a total capacity to produce 3.66 Lakhs cases of Crown Caps per annum, 21600 MTs of PET Preforms per annum and 97.20 Crore CSD Closures per annum. The major raw materials include TFS (Tin Free Steel) for Crown Caps, Polyvinyl Chloride, Polypropylene and PET Resin. Approximately 40% of the Crown Cap segment is exported. The Company has established relationship with global customers such as Coca Cola, United Breweries, SAB Miller and other beverage companies in the CSD segment.

¹ Please refer to www.brickworkratings.com for definition of the Ratings

Bank Facilities

AMD Industries Ltd has availed term loans, fund and non-fund based working capital facilities from banks and financial institutions. The overall limit amounts to ₹ 105.22 Crores, comprising of Term Loans amounting to ₹ 40.22 Crores (including the undrawn limit), Fund Based Working Capital Limits amounting to ₹ 30.00 Crores and Non Fund Based Limits amounting to ₹ 35.00 Crores. Apart from the aforementioned facilities, the Company has also availed loan against properties and vehicle loans from other financial institutions.

Financial Performance

The Company has witnessed a decrease in revenue from ₹ 182.01 Crores during FY12 to ₹ 156.94 Crores during FY13. This was mainly contributed by the fall in revenue from the Crown Cap segment that witnessed a temporary set-back in FY13 due to the reduction in orders from Coca Cola, Philippines caused by force majeure events. The market for the Crown Cap Segment had plateaued in the domestic market mainly due to the shift in demand to plastic PET bottles. Until H1 FY14, the Company has completed orders worth ₹ 33.09 Crores of Crown Caps. It has maintained the same level of revenues in the Pet Preform segment during FY13 as compared to FY12. However in terms of volume, the Company has grown by ~ 24% mainly due to the demand for Job Work by Coca Cola (including its franchisee bottlers). The CSD closure segment has witnessed a growth of ~9% during FY2013. As per the provisional numbers, the Company has achieved turnover of ₹ 98.22 Crores during H1 FY14.

The Net profit has decreased from ₹ 6.50 Crores during FY12 to ₹ 1.59 Crores during FY13. The debt to equity of the Company has marginally worsened from 0.67x during FY12 to 0.83x during FY13. As per the provisional numbers, the Company has improved the debt to equity to 0.61x for H1FY14. The reported PBT for the same period is Rs. 6.75 Crs.

The Company has exposure to its real estate subsidiary AMD Estate and Developers Pvt Ltd (AEDL) in terms of loans and advances and equity investments amounting to ₹ 38.15 Crores and ₹ 5.20 Crores respectively. It has also extended a corporate guarantee for the loan sanctioned to AEDL for ₹ 23.00 Crores. The Company has witnessed some collections from the real estate project during FY13; however the recognition of the sale will be made during only from FY14.

Rating Outlook

The Company has established customer base from which it is expected to generate regular orders. It has addressed to some extent the need of capacity expansion in PET preforms by augmenting the capacity by 3600 MT during FY13.

Though the Company had recently witnessed a set-back in the revenue due to force majeure events, the Company has attained a turnover of ₹ 98.22 Crores for H1 FY14 which is an improvement as compared to ₹ 83.11 Crores for H1 FY13. The Company's ability to maintain revenue in the Crown Cap business, expand the Pet Preform & Plastic closures portfolios and achieve significant sale in the Gurgaon project will be the key rating sensitivities going forward. The importance for AMDIL to develop its real estate subsidiary as an independently viable entity not leaning on the parent for financial support cannot be overstated. This would help AMDIL to improve its efficiency in all parameters in its core business of PET processing. The outlook is expected to be stable for the year.

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